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SUBJECT: LEBANON: MINISTER OF ENERGY AND WATER GETS A
HANDLE ON LEBANON'S TROUBLED POWER SECTOR, HAS BAD FIRST
IMPRESSION OF SINIORA

Classified By: Charge d'Affaires a.i. William Grant for reasons 1.4 (b)
and (d).

SUMMARY

11. (C) In an August 13 courtesy call with Charge Grant, the new Minister of Energy and Water Alain Tabourian described the huge cost and capacity problems in Lebanon's electricity sector, and discussed plans to import electricity and natural gas from Egypt. Tabourian, one of the five ministers appointed by opposition Christian leader Michel Aoun, bemoaned what he said were fifteen years of energy management by "bean counters" without vision or a long-term strategy, and said it would take years to build up the sector. He said that privatization was not a panacea, and described his first argument on the topic with Prime Minister Fouad Siniora, with whom he had not worked before, but who clearly made a bad impression on him during the drafting of the Ministerial Statement. He reserved judgment on the national unity government. He concluded by saying he did not care about political squabbles, as he can always go back to his more profitable business activities. End Summary.

HE WANTED THE JOB, BUT THE PROBLEMS ARE ENORMOUS

12. (SBU) Newly appointed Minister of Energy and Water Alain Tabourian received Charge Grant and Econoff on August 13. He told Charge that when he was called about participating in the cabinet, he immediately expressed interest in the energy portfolio, even pitching himself to the President, saying energy was the most critical issue Lebanon faces. He said he was still getting a handle on his portfolio, but was appalled to learn that in 2007, Lebanon spent about five or six billion dollars on fuel -- around 25 percent of GDP. And since fuel and electricity are subsidized in Lebanon, the national electricity company Electricite du Liban (EDL) has put the government further and further into debt with the rising price of oil. Even if there were not subsidies, he said, it would not be sustainable for the country to continue to spend 25 percent of income on fuel.

13. (SBU) Tabourian said that in addition to high fuel prices, fifteen years of energy management with no vision has left Lebanon with outdated and inefficient electricity generation, which has increased costs significantly. He pointed to past studies recommending moderate investment in

equipment and upgrades to increase efficiency and cut pollution, and he said that in each case either the recommendations were ignored or the Ministry of Finance refused to approve funding. In one example, he said that 40 million dollars in equipment upgrades in 2003 could have saved 20 or 30 million dollars per year thereafter, but the Finance Ministry refused to grant the funds (Note: The Finance Minister at the time was current PM Fouad Siniora). Tabourian said that currently 15 percent of EDL's losses were technical losses resulting from old technology.

¶4. (SBU) Tabourian mentioned that in an attempt to diversify supply, he would be working to conclude a contract with Egypt to buy some of its surplus electricity, as well as natural gas, which would allow Lebanon to produce electricity less expensively at its two gas-powered plants. Both of these are currently being run on more expensive and polluting fuel oil.

PRIVATIZATION AND THE FIRST FIGHT WITH SINIORA

¶5. (SBU) In response to Charge's question about privatization in the electricity sector, Tabourian said that although PM Siniora thinks privatization is the cure for everything, he himself, who is coming from the private sector, does not think it is a panacea. He said that there would be a huge potential for corruption if privatization were to proceed right away, and said "we should learn to walk before we run" by improving efficiency and capacity. He mentioned his idea to restructure electricity prices,

BEIRUT 00001199 002 OF 002

creating a "social tariff" for the 70 percent of Lebanese with modest electricity needs, while charging higher prices to bigger consumers. He said he did not have the details of this worked out, but hoped it would increase revenues and cut EDL's losses. He said the current privatization plan needs to be reworked, that it was too complicated and would not be easily understood by the cabinet, especially those members without technical backgrounds. He claimed there was no way privatization would be passed by the cabinet if it was incomprehensible.

¶6. (C) The Minister described how the topic of privatization sparked an argument between himself and the Prime Minister, with whom he had not worked previously, during the drafting of the Ministerial Statement. Tabourian said Siniora wanted more stress on electricity privatization in the statement, and that he replied that he could not privatize in ten months (before the next elections). Tabourian then said the PM argued with him for four days, rewriting the energy portion of the statement and "micromanaging." In the end, the Minister said, Siniora just backed down and left the statement as Tabourian wanted it, but the PM had created antagonism. "Before I started this job, I thought that I would have a big problem with electricity. After I analyzed it, I realized I would in some ways have an even bigger problem with water. Then, I found out that I had an even bigger problem: Fouad Siniora."

THE CABINET

¶7. (SBU) The Charge also asked Tabourian about his impressions of the new cabinet and whether it would work effectively. The Minister had no real opinion yet, saying they had only had one meeting and he could not tell yet how things would go. He anticipated that on certain issues, ministers might not vote along the standard dividing lines of March 14 vs. March 8/Aoun forces. He cited as an example privatization, where individual ministers might have opinions that do not match those of their bloc. He did think that the vote on the new head of the Lebanese Armed Forces would go along party lines, though, and hence they would have to work to find a consensus candidate.

COMMENT: "I DON'T CARE"

18. (C) Considering that Tabourian asked for the energy portfolio, he still seemed to be facing a steep learning curve and offered very little information about what he actually was planning to do. He said he thought it would take him three months to get fully versed in all the issues, which is a large proportion of the time he will have to lead the Ministry before the spring 2009 parliamentary elections. While he has moved forward on contracts with Egypt, he had no details on price restructuring, and offered no information on his plans for upgrading the outdated generation plants he complained about. And he did not even discuss the water portfolio. Nonetheless, if he is able to use his private sector experience to provide the kind of vision he said has been lacking, and, importantly, if can get funds from Minister of Finance Mohamad Chatah to begin implementing his vision, he may be able to decrease his sector's drain on the state coffers and indeed leave it better prepared for privatization than he found it.

19. (C) The fact that Tabourian is from the opposition and Siniora a leader of the majority could explain their explain their tiff over the cabinet statement. It is true, though, Siniora is known to be a micromanager as well as miserly with government funds, and, as a former Minister of Finance, likes to keep his fingers in the pie. Tabourian tried to convey a sense of being above politics: "I don't care," he said. "I am doing people a favor by being here. I can always go back to my much more lucrative private sector job." End comment.
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